



The President's Daily Brief

6 February 1973

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

6 February 1973

PRINCIPAL DEVELOPMENTS

Fighting in South Vietnam remains at a low level, but we have several reports of Communist military plans relating to the negotiations between Saigon and the PRG and to the arrival of the international observer teams in some areas. (Page 1)

In Laos, Communist forces continue to press government positions in several key areas, and the offensive could complicate the cease-fire negotiations. The Chinese meanwhile continue their road-building effort in the northwest, but have somewhat reduced their military strength there. (Page 2)

Communist insurgents in Cambodia plan to continue fighting rather than accede to Sihanouk's call for a military stand-down. They fear he may meet with Dr. Kissinger in Hanoi. (Page 4)

International financial strains have intensified pressures on Japan to revalue the yen. (Page 5)

President Sadat is purging Egypt's only legal political organization. (Page 6)

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	Panama
	(Page 7)

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SOUTH VIETNAM

Military action throughout most of South Vietnam remained slight as the three-day holiday ended.

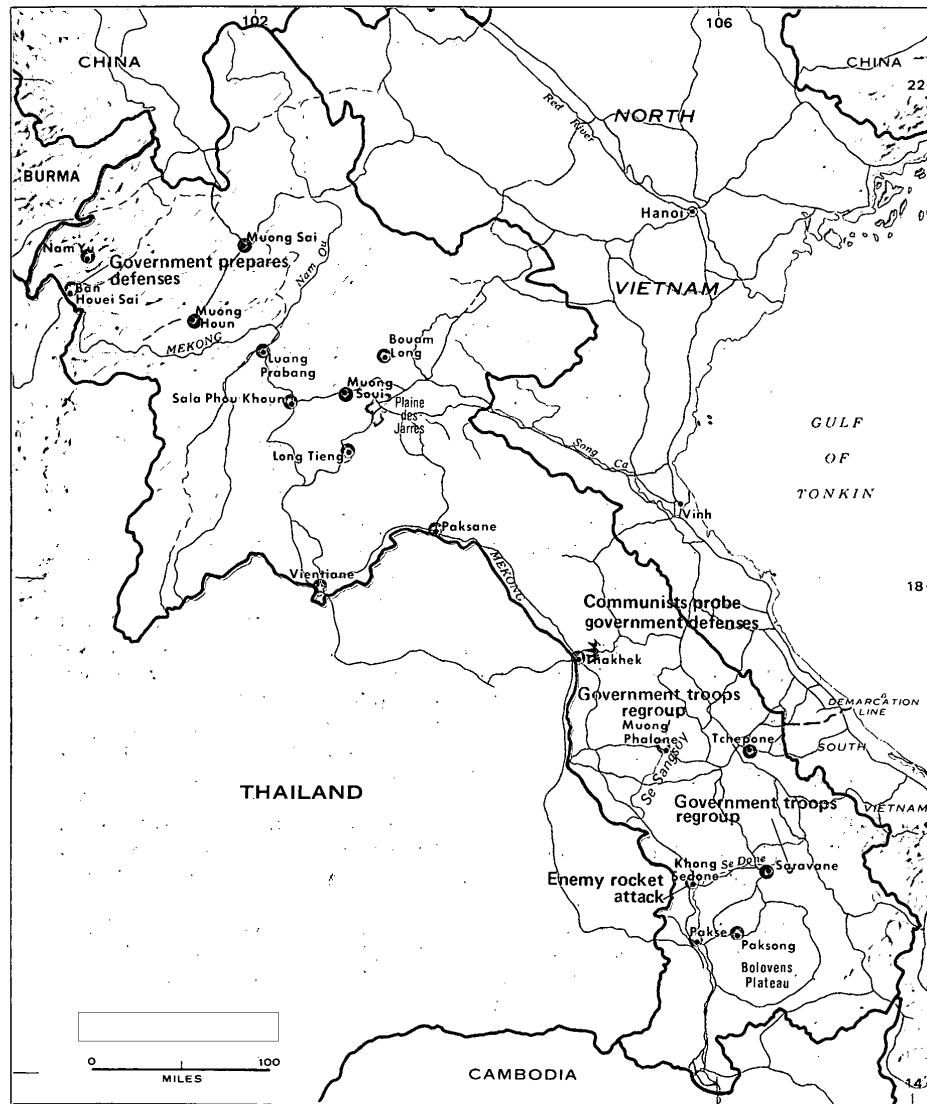
[REDACTED] the Communists regard the two months after the ceasefire as a period to rest and to refit main forces. The Viet Cong are telling their cadre that action thereafter will depend in great part on the outcome of negotiations between Saigon and the Provisional Revolutionary Government which began yesterday in Paris. Should Saigon refuse PRG demands, fighting would resume, but no particular timing has been mentioned.

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A few reports continue to mention Communist plans for intensified military action in some areas to expand Communist holdings just before the international observer teams arrive.

Most of these so far appear to refer only to small-scale actions by local forces.

LAOS



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○ Government controlled ● Communist controlled

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LAOS

In the remote northwest, the morale of government troops has apparently collapsed following the loss of the base at Nam Yu. The irregular units have withdrawn to the west in disarray and only two of the nine irregular battalions are likely to be of any use in the foreseeable future. The government is attempting to organize a defense of Ban Houei Sai and the few other villages in Houa Khong Province still in government hands.

In central Laos, by yesterday at least one North Vietnamese battalion had crossed the Se Sangsoy River toward Muong Phalane. Other Communist units are probing government defenses near Thakhek. Government units so far have turned back the enemy thrusts with the help of air support, but intercepts suggest that the main enemy effort is yet to come.

Farther south, the Communists have not yet followed up their dispersal of several irregular units near Saravane. Some small enemy units have already slipped behind the irregulars, however, to rocket Khong Sedone to the west and occupy a village only five miles from the town.

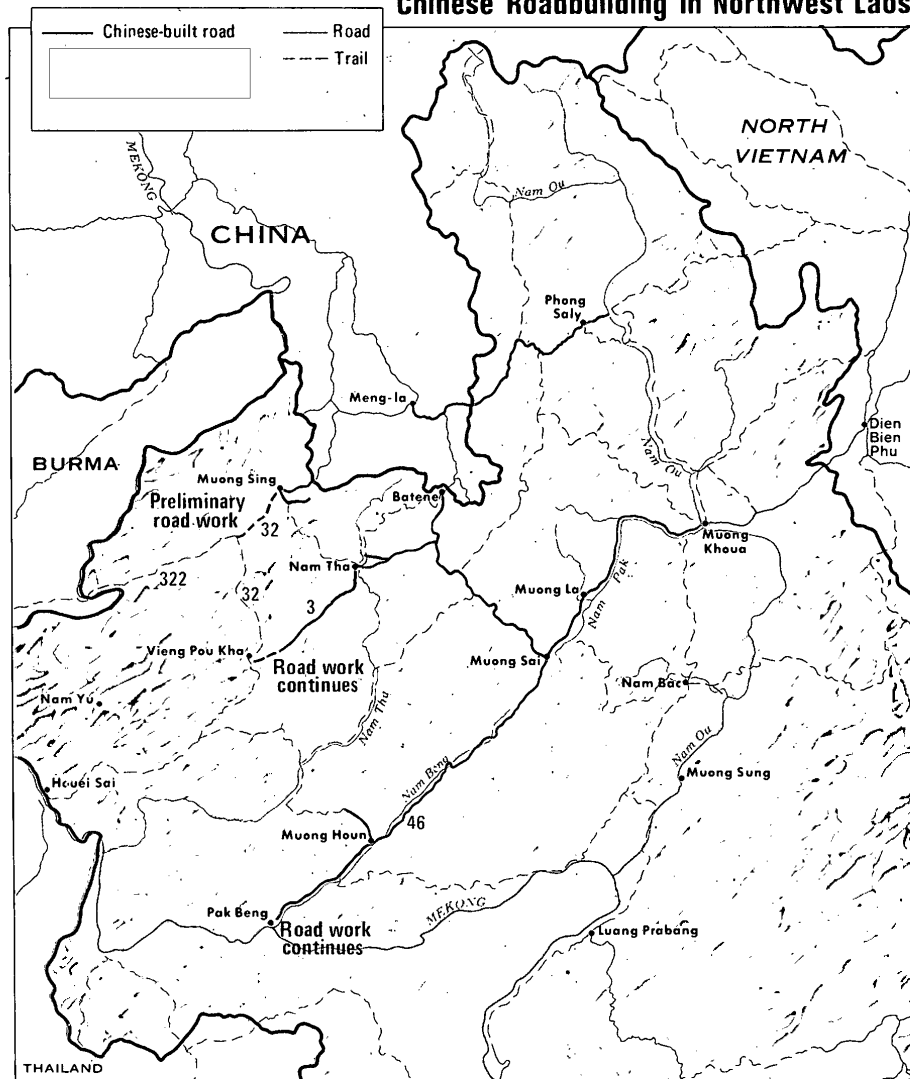
The Communist offensive could seriously complicate the ongoing cease-fire negotiations. The deteriorating situation in Houa Khong Province is a blow to Vientiane, even though the remote area is not of vital interest to most government leaders.

If the Communists continue their offensive in the south or secure a foothold in the Mekong Valley by taking Thakhek, military leaders and southern rightists will react strongly. They will press Prime Minister Souvanna Phouma to hold out for a cease-fire providing for a regroupment of forces along lines existing at the time of the 1962 Geneva accords. This would guarantee the government control over much of the area now being contested in the south. The Communists, however, have consistently demanded an in-place cease-fire that reflects current military holdings.

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Chinese Roadbuilding in Northwest Laos



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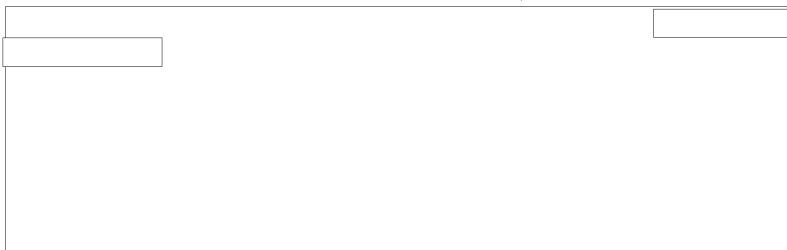
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Meanwhile, the Chinese continue their road-building effort in the northwest. The latest activity [redacted] includes 14 miles of intermittent clearing and grading southwest from Muong Sing, and construction from Nam Tha toward Vieng Pou Kha. As in the past, the road building follows moves by the Pathet Lao to clear government forces.

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CAMBODIA

In a message sent to regional commands on 2 February, the standing committee of the Khmer insurgents' central party committee stated that its position is "definitely to fight and attack on the battlefield" and "not to agree to negotiate and accept a diplomatic solution." The intercept also averred that in taking this position "we are not isolating ourselves and we have the strength to continue fighting--both militarily and politically."

In addition, the message expressed serious concern over the possibility that Dr. Kissinger might meet with Sihanouk when visiting Hanoi. The insurgents said they hoped to be able to block such a meeting, and if they failed, would try to maintain their own control anyway. While noting that "Sihanouk's position has been independent of ours," the message added that he "still has some redeemable qualities and we are continuing to obstruct and influence him."

These statements represent a sharp rebuff to Sihanouk, who last Wednesday publicly proposed in Hanoi that the insurgents reciprocate Phnom Penh's military stand-down. The Khmer Communists' unyielding stance indicates that they have not been swayed by Sihanouk's claim of full backing in this matter from Hanoi as well as Peking. Thus an early end to the conflict in Cambodia may hinge largely on North Vietnam's willingness and ability to bring the insurgents into line.

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JAPAN

The current international financial uncertainty has greatly intensified pressures on Japan to revalue the yen. On Saturday the Bank of Japan purchased \$240 million to maintain the yen within its "Smithsonian band." Although relatively little intervention was required yesterday, the situation could flare up again.

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[REDACTED] Last weekend the Governor of the Bank of Japan publicly warned that yen revaluation could not be ruled out if the trade account is not brought more nearly into balance.

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Despite these pressures, opposition to a currency change remains strong in some quarters. The powerful Ministry of International Trade and Industry apparently still objects to such a move and has been pushing for alternative steps to cut the trade surplus. It speaks for the many small- and medium-sized Japanese firms that would be most seriously hurt by a currency change. (The Ministry of Finance generally accepted the idea of a revaluation several months ago, realizing that trade measures under consideration would not greatly reduce the surplus.)

Japanese industry leaders also oppose a further yen revaluation. [REDACTED]

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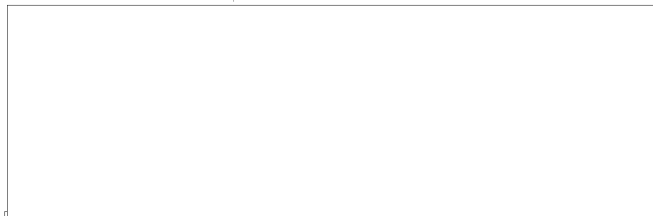
EGYPT

President Sadat has expelled 75 persons from Egypt's only legal political organization, the Arab Socialist Union. Most are journalists, many of them leftist-oriented and implicated in or sympathetic to student protests. The ASU disciplinary board is studying other cases, and further expulsions may occur.

The purge presumably is intended to put substance into Sadat's warning of 31 January against "deviationism." It seems likely that the president particularly wishes the country's restive students--who returned quietly to classes on Saturday--to note his readiness to act against dissenters. His move may also indicate continuing suspicion of elements within the ASU who supported the challenge to his authority in 1971.

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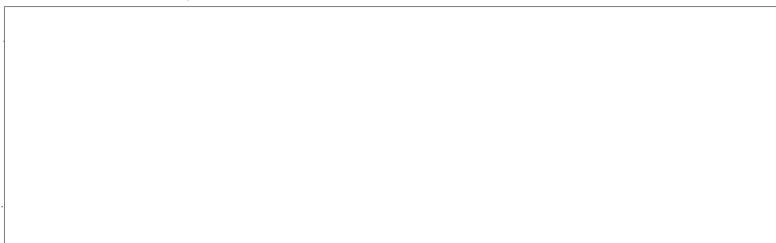
PANAMA



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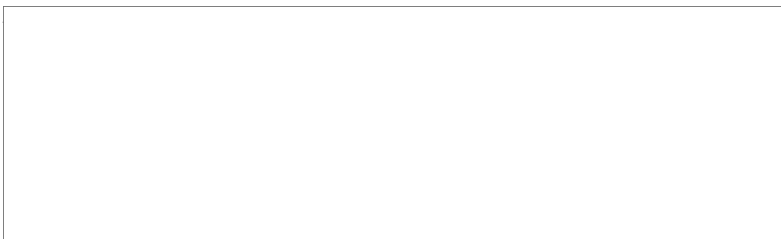
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